

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Conditions Solid For a Third Consecutive Month; Labor Market Conditions Improved*

### Overview

According to the latest survey results, business activity in Maryland expanded moderately in April. The general business conditions and sales indexes both registered 12. This follows an unexpected jump in March where the general business conditions and sales indexes recorded series highs of 35 and 38, respectively. With the April survey, the general business conditions index was solidly positive for a third consecutive month and the sales index was positive for a second consecutive month. The April survey also indicated a strengthening in labor market conditions with the number of employees index increasing to 19, up seven points from last month. Business spending on services and capital expenditures increased for a third consecutive month, although the pace of capital spending was softer in April. Expectations for activity in the near future edged lower. Forty-one percent of respondents anticipated greater business activity six months from now while 12 percent expected activity to decline.

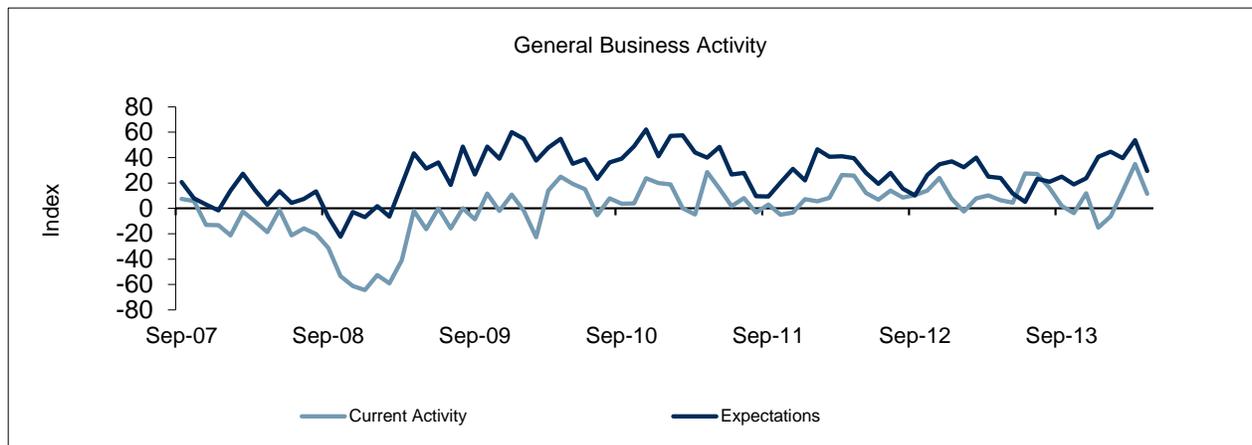
### Current Activity

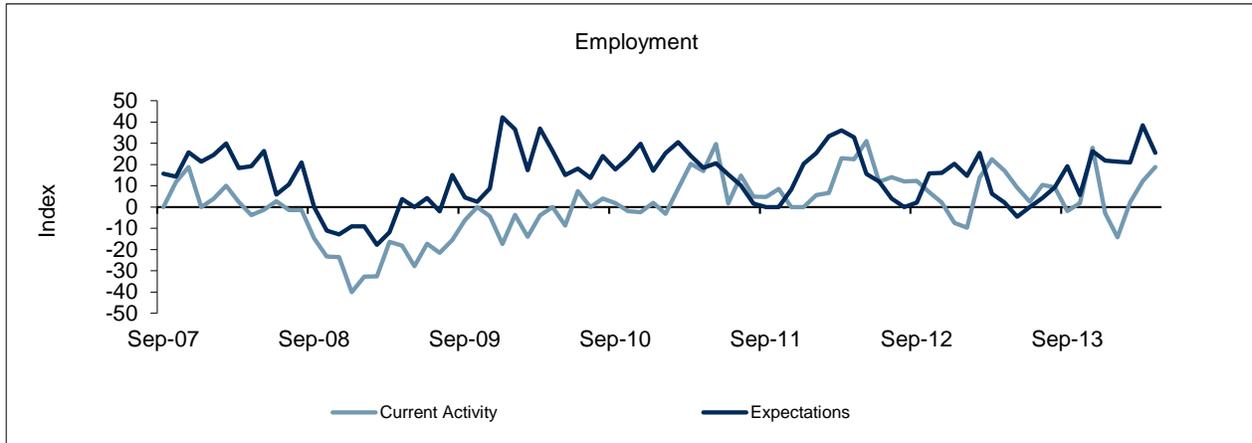
Business activity increased moderately in April as the general business conditions and sales indexes registered 12. The April readings followed series-

highs recorded in March of 35 and 38 for the general conditions and sales indexes, respectively. Despite the more moderate readings, the general business conditions index registered a solidly positive reading for a third consecutive month. The series averaged 20 over the past three months, a significant improvement from the previous five months where the series averaged -2. Spending on business services increased at a solid pace as the index registered 18 while capital expenditures increased at a more moderate pace. The total capital expenditures index and the expenditures on equipment and software index both registered 10, down 10 and 11 points from March, indicative of moderate capital spending in April. Business spending on services and total capital expenditures also improved in recent months compared to last fall and winter—the three-month averages were 14 and 15, respectively, up from averages of 2 and 6 from September 2013 through January 2014.

### Employment

The survey results for April indicated an improvement in labor market conditions for a second consecutive month. The number of employees index rose to 19 from 12 last month. Twenty-six percent of respondents indicated that they added workers for





the month, up from 22 percent in March, while 8 percent reported a decline. The average workweek series rose six points to 13. The wage index registered 17, up two points from last month, indicating that despite soft labor market conditions a number of survey respondents reported higher wages.

Expectations for future labor market conditions softened from last month's survey but remained solid. The number of employees expectations index dropped back to 25 after jumping 17 points in March to a near-series high of 38, and has been above 20 for the past five months. The percentage of firms anticipating hiring over the next six months decreased to 33 percent from 46 percent, while the number of respondents indicating that they planned on reducing their workforce was unchanged at 8 percent. Expectations for average workweek hours remained positive with a reading of 6.

**Prices**

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.4 percent in April on an annualized basis, down from 2.6 percent last month. Output prices rose 1.3 percent.

Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.0 percent annualized rate over the next six months, while output prices were expected to increase by 1.5 percent.

**Expectations**

Expectations of economic activity six months from now were less sanguine in April. The expectations index for general business conditions and sales decreased 25 and 22 points, respectively, to 29. Forty-one percent of respondents expected business conditions to improve, down from 59 percent last month, while 12 percent of respondents expected conditions to worsen, up from 5 percent last month. Forty-three percent of respondents anticipate sales to increase over the next six months while 14 percent expect sales to worsen.

Overall the April survey results indicated that the Maryland economy improved for a third consecutive month after a slowdown in business activity that began in the fall of 2013. Respondents reported a moderate increase in general business conditions and sales while business spending on services and capital expenditures were solid for the month. Labor market conditions improved for a second consecutive month.

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## Business Activity Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Apr-14	Mar-14	Feb-14	Apr-14	Mar-14	Feb-14
General Business Conditions	12	35	14	29	54	40
Sales	12	38	-5	29	51	36
<b>Employment</b>						
Number of Employees	19	12	2	25	38	21
Availability of Skills Needed	2	-3	2	8	3	5
Average Workweek	13	7	-11	6	8	16
Wages	17	15	11	27	31	48
<b>Spending</b>						
Business Services Expenditures	18	13	14	14	24	9
Total Capital Expenditures	10	20	14	10	28	16
Equipment or Software	10	21	18	14	36	27
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.4	2.6	2.2	2.0	2.6	2.3
Prices Received for Outputs	1.3	1.8	0.9	1.5	1.9	1.0

**Technical Notes:**

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.